

retail investors continued to have substantial and reasonable access to dealer capital via both SOES and marker maker proprietary automatic execution systems.

- There was no evidence of any material difference in market quality of pilot stocks and peer non-pilot stocks during the market stress on October 27 and 28, 1997.

To provide the Commission with sufficient time to review the public comments before determining whether to expand the Actual Size Rule to all Nasdaq stocks on a permanent basis, the NASD proposes to extend the current 150-stock pilot through July 31, 1998.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Exchange Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-97-26 and should be submitted by July 27, 1998.

V. Commission's Findings and Order Granting Accelerated Approval of Amendment No. 5 to the Proposed Rule Change

The Commission approved the Actual Size Rule on a pilot basis so that its effects could be assessed. In doing so, the Commission stated that it believed that a reduction in the quotation size requirement could reduce the risks that market makers must take, produce accurate and informative quotations, and encourage market makers to maintain competitive prices even in the changing market conditions resulting from the Order Handling Rules.

As discussed above, the NASD has produced an extensive economic analysis of the pilot. The data appears to suggest that the pilot has not resulted

in harm to the Nasdaq market. Indeed, as discussed above, the Actual Size Rule appears to be an appropriate adjustment of market making obligations in light of the changing market dynamics resulting from the Order Handling Rules.

Nevertheless, the pilot report is lengthy and the Commission has received hundreds of comment letters on both the report and the NASD's proposal to adopt permanently the Actual Size Rule.¹² Extending the pilot through July 31, 1998, should provide the Commission with sufficient time to review the public comments before determining whether to expand the Actual Size Rule to all Nasdaq stocks on a permanent basis.

For the reasons discussed above, the Commission finds that the NASD's proposal is consistent with the Exchange Act and the rules and regulations thereunder applicable to a national securities association and has determined to approve the extension of the pilot through July 31, 1998. The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of the filing in the **Federal Register** to permit the NASD to continue the pilot on an uninterrupted basis for an additional month.

Accordingly, the Commission believes that the proposed rule change (SR-NASD-97-26) is consistent with Sections 15A(b)(6) and (b)(9) of the Exchange Act¹³ and

It is therefore ordered, pursuant to Section 19(b)(2) of the Exchange Act,¹⁴ that the proposed rule change, SR-NASD-97-26, be and hereby is approved through July 31, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁵

Margaret H. McFarland,

Deputy Secretary.

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¹² *Id.*

¹³ In approving this rule change, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. The proposed rule change will provide the Commission with additional time to review the public comments before determining whether to expand the Actual Size Rule to all Nasdaq stocks on a permanent basis. Since the Commission believes that the data discussed above indicates that the pilot has not harmed the Nasdaq market thus far, the net effect of approving the proposed rule change will be positive. 15 U.S.C. 78c(f).

¹⁴ 15 U.S.C. 78s(b)(2).

¹⁵ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40132; File No. SR-OCC-97-02]

Self-Regulatory Organizations; the Options Clearing Corporation; Order Granting Approval of a Proposed Rule Change Regarding the Issuance, Clearance, and Settlement of Options on Unit Investment Trust Interests and Investment Company Shares That Hold Portfolios or Baskets of Common Stock

June 25, 1998.

On February 21, 1997, The Options Clearing Corporation ("OCC") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-OCC-97-02) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act").¹ On February 21, 1997, May 14, 1997, and June 11, 1998, OCC amended the proposed rule change. Notice of the proposal was published in the **Federal Register** on June 9, 1997.² No comment letters were received. For the reasons discussed below, the Commission is approving the proposed rule change.

I. Description

The rule change amends OCC's existing by-laws and rules to accommodate the issuance, clearance, and settlement of options on exchange listed securities representing units of beneficial interests in open-end unit investment trusts ("trust units") and in open-end management investment companies ("fund shares") that hold securities based on an index or a portfolio of common stocks, such as shares that have been proposed for trading by the American Stock Exchange ("Amex").³ The Amex currently trades trust units known as Portfolio Depository Receipts ("SPDRs") based on the Standard & Poor's ("S&P") 500 index and on the S&P MidCap 400 index. SPDRs are trust units that represent beneficial ownership in the SPDR trust⁴

¹ 15 U.S.C. 78s(b)(1).

² Securities Exchange Act Release No. 38706 (June 2, 1997), 62 FR 31468.

³ Securities Exchange Act Release No. 38308 (February 19, 1997), 62 FR 8467 [File No. SR-Amex-96-44]. The Chicago Board Options Exchange has filed a proposed rule change to trade similar products. Securities Exchange Act Release No. 38342 (February 26, 1997), 62 FR 10098 [File No. SR-CBOE-97-03].

⁴ The SPDR trust was established to accumulate and hold a portfolio of common stocks that is intended to track the price performance and dividend yield of a particular S&P index.

and trade similarly to shares of common stock.

The Amex also trades fund shares known as World Equity Benchmark Shares ("WEBS") which are issued by an open-end management investment company consisting of seventeen separate series based on seventeen foreign equity market indexes.⁵ The investment objective of each series is to provide results that correspond to the aggregate price and yield performance of publicly traded securities in a particular market as represented by a particular foreign equity index.

The Amex has proposed trading options on exchange-traded trust units and fund shares pursuant to the same rules and procedures that are generally applicable to trading in options on equity securities with only minor differences that affect their clearance and settlement.⁶ These differences are that options on trust units and fund shares would be listed as European-style options only and that each option contract would cover 1000 trust units or fund shares as the unit of trading.

The general rights of a holder of a single call equity option contract are set forth in Article VI, Section 9(a) of OCC's by-laws, and the general rights of a holder of a single put equity option contract are set forth in Article VI, Section 9(b) of OCC's by-laws. Because options on trust units or fund shares are deemed equity option contracts under OCC's rules, OCC is amending Section 9(a) and (b) of Article VI to set forth the general rights of a holder of a single European-style equity call option⁷ and a single European-style equity put option,⁸ respectively. Furthermore, OCC is amending Interpretations and Policy .01 to Section 9, which provides that subsections (a) and (b) of Section 9 apply only to stock option contracts to clarify that the term "stock option

contracts" will include option contracts on publicly traded interests in trust units, fund shares, or shares in entities similar to investment companies that hold portfolios or baskets of common stock.

OCC is adding Interpretation and Policy .01 to Article VI, Section 10 of the by-laws to reflect that, for series of options in which the underlying security is trust units or fund shares, the unit of trading is the amount of the underlying security deliverable upon the exercise of the option as specified by the exchange on which the option is traded unless otherwise specified by OCC in accordance with its by-laws and rules.

In addition, OCC is adding Rule 807 to its rules. The rule contains essentially the same provisions as those found in Interpretations and Policy .08 to Article VI, Section 11 of the by-laws.⁹ Rule 807 sets forth the general provision that when a flexibly structured option contract with a European-style expiration has been adjusted to require upon exercise the delivery of a fixed amount of cash, the expiration date with respect to the option will be accelerated to fall on or shortly after the date on which the conversion of the underlying security to a right to receive cash occurs. The ability to accelerate an expiration date following an adjustment calling for a fixed amount of cash was added specifically to accommodate European-style, flexibly-structured equity options. Without the ability to accelerate, the option position would have to be maintained until it could be exercised at its regular expiration. For the same reason, OCC is making this applicable to all European-style stock option contracts. In connection with the addition of Rule 807, OCC is amending the term "expiration date" as defined in Article I, Section 1 of OCC's by-laws, to provide that the expiration date of a stock option contract is subject to the acceleration provisions of the new rule.

II. Discussion

Section 17A(b)(3)(F) of the Act¹⁰ requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds in its custody or control or for which it is responsible. The Commission believes the rule change is consistent with OCC's obligation under the Act because OCC will clear and settle options on trust units and fund shares by using existing

OCC systems, rules, and procedures. Thus, OCC should be able to implement the clearance and settlement of options on trust units and fund shares in a safe manner consistent with its statutory obligation due to the similarity of options on trust units and fund shares to option products currently cleared and settled by OCC.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular Section 17A of the Act and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR-OCC-97-02) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹¹

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98-17717 Filed 7-2-98; 8:45 am]

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SMALL BUSINESS ADMINISTRATION

[License No. 04/04-0273]

Capital Across America, L.P.; Notice of Issuance of a Small Business Investment Company License

On April 21, 1998, an application was filed by Capital Across America, L.P., 414 Union Street, Suite 2025, Nashville, Tennessee 37219, with the Small Business Administration (SBA) pursuant to Section 107.300 of the Regulations governing small business investment companies (13 CFR 107.300 (1997)) for a license to operate as a small business investment company.

Notice is hereby given that, pursuant to Section 301(c) of the Small Business Investment Act of 1958, as amended, after having considered the application and all other pertinent information, SBA issued License No. 04/04-0273 on June 17, 1998, to Capital Across America, L.P. to operate as a small business investment company.

(Catalog of Federal Domestic Assistance Program No. 59.011, Small Business Investment Companies)

Dated: June 17, 1998.

Don A. Christensen,

Associate Administrator for Investment.

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⁵ The initial series offered by this investment company are: the Australia Index Series; the Austria Index Series; the Belgium Index Series; the Canada Index Series; the France Index Series; the Germany Index Series; the Hong Kong Index Series; the Italy Index Series; the Japan Index Series; the Malaysia Index Series; the Mexico (Free) Index Series; the Netherlands Index Series; the Singapore (Free) Index Series; the Spain Index Series; the Sweden Index Series; the Switzerland Index Series; and the United Kingdom Index Series.

⁶ *Supra* note 3.

⁷ A holder of a single European-style call option contract will have the right on and only on the expiration date, expiring at the expiration time on such date, to purchase from OCC at the aggregate exercise price the number of units of the underlying security represented by such option contract.

⁸ A holder of a single European-style put option contract will have the right on and only on the expiration date, expiring at the expiration time on such date, to sell to OCC at the aggregate exercise price the number of units of the underlying security represented by such option contract.

⁹ Section 11 sets forth the general rules pertaining to adjustments on stock option contracts. OCC has deleted Section .08 from the Interpretations and Policies and moved these provisions to new Rule 807.

¹⁰ 15 U.S.C. 78q-1(b)(3)(F).

¹¹ 17 CFR 200.30-3(a)(12).